# The Money Year '74

Kraftco Corporation

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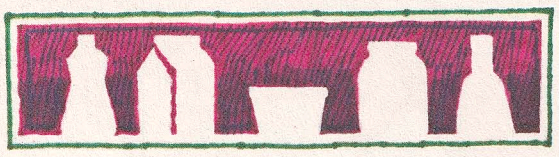
If the days of one year were to represent all of Kraftco's income, then eight days out of 364 last year would have been Kraftco's profits. What about the other 356 days? What happened, and why?

The answers can be found in some interesting facts. Let's start at the beginning — in this case, the beginning of the 1974 fiscal year. The fiscal year is a 52-week period — or 364 days — in which Kraftco does its business. We can call it the "money year". Kraftco's 1974 money year began December 30, 1973, and ended December 28, 1974.

Only eight days of the money year correspond to profits, so let's see how many days were used to pay for the products you made, your wages and benefits, and the other business costs of your company....

On the first day of the 1974 money year, December 30, 1973, we began to make and sell Kraftco products. First we had to buy the basic raw materials. It took 227 days, until August 13, 1974, just to pay for the materials: milk, vegetable oil, flour, eggs, fruit, sugar, cheese, aluminum, sand, lime, paperboard, bulk chemicals and many more.



Of course, we had to package and label our products. Cartons, bottles, plastic wrap and other packaging materials were purchased so that we could distribute our manufactured goods. It took 30 more days of the money year, through September 12, to pay for this cost.

In addition, we work with equipment in buildings. Kraftco had purchased all these facilities earlier, but they wear out as we use them. To recover the money spent on these buildings and equipment, we must reflect their "depreciation" — which will partially offset their eventual replacement at much higher costs. This expense is like an insurance policy to provide continuing production and employment. Four days of the money year paid for depreciation, taking us through September 16.

There were other costs to pay before our products reached our customers. These included manufacturing, shipping, sales and administrative expenses. These costs were equivalent to 27 days of the money year, extending until October 13.

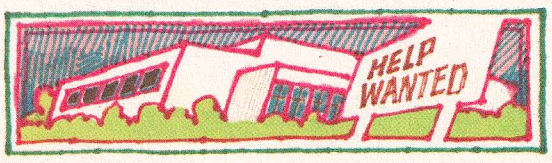
We encourage the purchase of our products by telling people about them through advertising — on TV and radio, in magazines and newspapers. Seven days of the money year paid for advertising, ending on October 20.

Kraftco also must pay interest on borrowed money. Companies need varying amounts of cash during the year. But money from sales seldom comes in at the same time that certain expenses must be paid. So, Kraftco borrows money to operate, and must pay interest just as individuals do on personal loans. Interest took up three days of the money year, and was paid for on October 23.

Wages and benefits are extremely important to you and to Kraftco. These costs include pay, vacations, holidays, pensions and insurance. A total of 47 days, taking us through December 9, paid for these costs. Employee wages and benefits are the second largest expense paid from Kraftco's income. As you recall, the largest cost is for raw materials.

There was still another cost. Governments in the United States and elsewhere had to be paid by means of taxes: Federal and local, sales, property and income taxes. Eleven days of the Kraftco money year went for taxes, ending up on December 20.

After 356 days, all the essential expenses have been paid and only a few days remain to work for profit. But, even part of profit is paid out. This part is paid to the corporation's owners, our shareholders. These persons, many of whom are Kraftco employees too, invested and risked their own money in our stock, and their investments helped to pay for many of the company's beginning and continuing money needs. Four days out of the money year, through December 24, paid for dividends to our owners.




Four days of the 1974 money year were left. They represent the profit, called "retained earnings", that was kept by the company. This profit is reinvested in the business and is combined with the money from depreciation, loans and capital investments in order to help the company grow. And Kraftco's growth enables it to provide jobs for employees and products for consumers in future money years.

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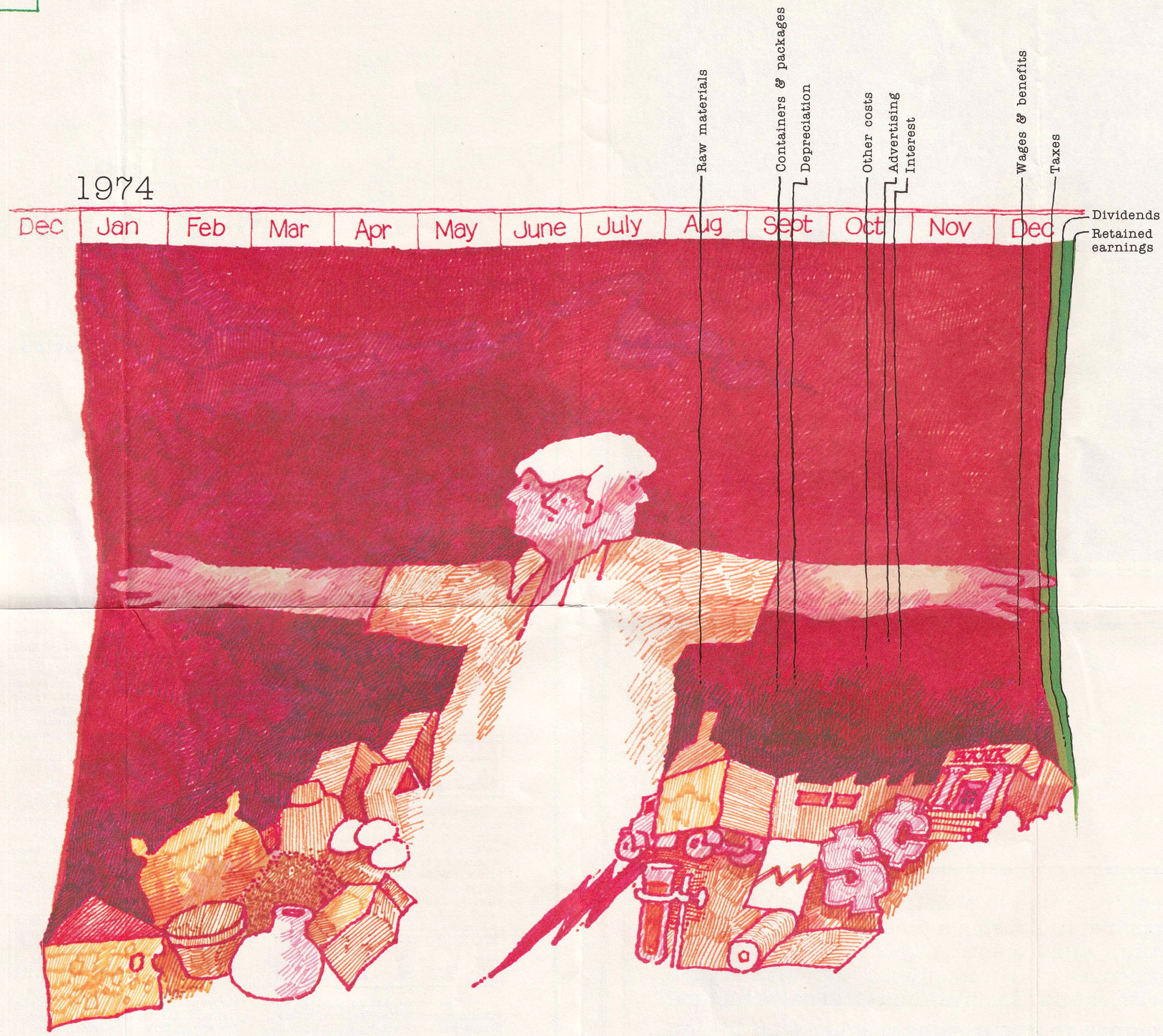
Aluminum Specialty Company
Breakstone Sugar Creek Foods
Kraft Foods
Kraftco International
Kra-Pak
HumKo Products
HumKo Sheffield Chemical
Metro Containers
Universal Packaging
Research and Development
Sealtest Foods




WHAT A WAIT FOR PROFITS!
The money year is a 52-week period in which Kraftco conducts its business. If our total sales were spread evenly over the 1974 money year, we would have had to wait until the last eight days before earning a profit, after paying for all our costs. Four days of profit represent dividend payments to our owners, the people who invested in Kraftco stock. And four days of profit represent retained earnings, money that was reinvested in the business to provide continuing employment and products in future money years.

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The money year, as presented in this leaflet, is just one way to show you what happened to Kraftco's income. We really don't pay for one item at a time, and we don't pay for these costs with "days". We meet our expenses continuously throughout the year, and they are paid for with the dollars from our total sales income.

During the 1974 money year, our sales reached $4.5 billion. But after we paid for all our costs, we had $95 million— or about one-fiftieth of our sales revenue—remaining as profit. So Kraftco's profits were slightly more than two cents from every sales dollar. And just a little less than one cent of this profit was kept as retained earnings for reinvestment in the business. The reinvested money was put to work in Kraftco, providing for employment in the future and a continuing supply of quality products for our customers.